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C O N F I D E N T I A L SECTION 01 OF 02 WARSAW 000048

SIPDIS

STATE FOR EUR/FO QUANRUD AND EUR/CE GLANTZ AND SCHEIBE, NSC  
FOR JEFF HOVENIER AND KRISTINA KVIEN, COMMERCE FOR J  
BURGESS AND H SMITH

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TAGS: [EINV](#) [ECON](#) [EFIN](#) [PL](#)  
SUBJECT: FORMER PM BIELECKI ON U.S.-POLAND ECONOMIC  
COOPERATION

REF: A. WARSAW 17  
[1](#)B. WARSAW 1229

Classified By: ECON Tom Palaia for reasons 1.4 (b,d)

[1](#)1. (SBU) Former PM Jan Bielecki met with Ambassador  
Feinstein to discuss Poland's economy, its progression  
through the financial crisis, and its transition over the  
past twenty years. At the Ambassador's urging, Bielecki also  
assessed the U.S. role in Poland's economic transformation,  
and the potential for U.S. partners to have a positive impact  
in Poland and on the bilateral relationship. Bielecki  
recommended public and private U.S. involvement in improving  
higher education, reforming the health care system, and  
commercializing R&D and innovation. Bielecki is a Tusk  
insider who was prime minister under Lech Walesa.  
Notwithstanding his recent high-profile position as head of  
Bank Pekao, he is floated as a possible candidate for  
President or a replacement for Prime Minister Donald Tusk  
should Tusk run for the presidency.

Former Prime Minister and Top Tusk Advisor  
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[1](#)2. (SBU) Ambassador Feinstein hosted former Prime Minister  
(1991) Jan Krzysztof Bielecki for an introductory call on  
December 29. The two discussed Poland's economic  
transformation as well as the future of U.S. - Polish  
economic collaboration. Bielecki is a close friend and  
advisor to current PM Donald Tusk and a long-shot to run for  
President if Tusk opts out (REF A). While Bielecki has no  
formal government role, he directly advises PM Tusk on a  
range of issues. He recently stepped down as head of  
Poland's largest bank, Pekao S.A., a subsidiary of Italy's  
Unicredito.

The Current State of the EU/Polish Economy  
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[1](#)3. (C) Bielecki was generally upbeat on Poland's economy.  
He thought that Poland's flexible but conservative management  
over the past twenty years, along with thorough banking  
regulations, left the country well-positioned to handle the  
global financial crisis. He expressed concern about Poland's  
increasing debt, along with its growing deficit in 2009 and  
[1](#)2010. Meaningful pension reform will help, but addressing  
that piece of the structural deficit may add to Poland's  
deficit in the short-term. Bielecki defended the flexibility  
shown by PM Tusk and his government in allowing the deficit  
to rise in 2009, claiming that the rigid fiscal conservatism  
of Leszek Balcerowicz, and to a lesser extent current Finance  
Minister Rostowski, is impractical as a governing principle.  
Fortunately for Poland, Bielecki said, he was willing to bend  
the rigid constraints of Balcerowicz and the Washington  
consensus in 1991, and PM Tusk has been similarly flexible

today.

¶4. (SBU) Poland has made great progress since 1989 - a visit to the once economically devastated, now vibrant Silesia region of southern Poland provides the most striking examples. However, Bielecki cites the ongoing reticence of government and parliamentary officials to talk with businesses as a major impediment to the reforms still necessary for the next phase of Poland's economic transition (catching up to the West). Privatizations, new financial regulations, and red-tape reductions will all require substantial private sector input into the governing process. Arrogance and fear of corruption allegations carried over from the Kaczynski era "witch hunts", however, make officials unwilling or unable to collaborate with the private sector in designing and implementing reform. While this will slow progress, Bielecki does not believe it will kill it and he remains positive about Poland's prospects.

¶5. (SBU) Bielecki was less optimistic about Europe's recovery. He said the European financial system is over-leveraged (double U.S. levels in August '08). The underlying financial sector vulnerabilities have not been dealt with in Europe as they have, to some extent, in the U.S. Bielecki is particularly worried about Greece; not only over its latest financial difficulties, but about how it engages the EU to solve them. Greece strikes political rather than financial bargains with the EU to secure ongoing financial support. The EU does not have the economic tools nor the political will to force discipline on the Greek government, which can manipulate regional political sensitivities to force Brussels' hand. This is a structural

WARSAW 00000048 002 OF 002

weakness in the EU's relationship with and financial oversight of member states.

U.S. - Polish Economic Relations  
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¶6. (SBU) Asked about the U.S. impact on Poland's economy, Bielecki was appreciative of past direct U.S. economic support, but he focused on the private sector in the post-assistance period. At the onset of transition twenty years ago, U.S. companies were the gold standard for private enterprise. However, U.S. investments did not meet impossibly high Polish expectations. He specifically cited major brand-name financial, agricultural and manufacturing investments and how - while largely helpful - they were not as transformative or successful as Poles expected. Even recent "high-impact" investments by big-name U.S. high-tech firms do not immediately translate into profound economic progress, except for places like Silesia where economic transformation is vivid and accessible to the average Pole.

¶7. (SBU) Bielecki moved on to what the U.S. could do today to replace the "assistance relationship" of the transition period and expand upon the ongoing security relationship. Bielecki referenced three specific areas where U.S. private sector involvement, facilitated by the U.S. and Polish governments, could move the relationship in a positive direction, prove profitable for U.S. investors, and tangibly improve the lives of Poles.

- Higher Education: Polish participation in higher education increased three-fold since 1989. However, the quality has not substantially improved, as local institutions have focused instead - quite profitably - on increasing student enrollment. U.S. institutions, by bringing their higher standards to Poland, would do well on their investments while directly benefiting Poles and the bilateral relationship. The Ambassador mentioned his plans to reinvigorate the Fulbright program, which he had discussed with the Minister of Higher Education, as a place to start.

- Health Care Reform: Poland's healthcare sector is in need

of a dramatic overhaul, but Poles, according to Bielecki, are skeptical of a pure, European-style public sector. He anticipates privatization of some healthcare assets. Bielecki thinks that there are promising opportunities for U.S. investors with healthcare experience and that U.S. leadership could help along the partial privatization process already in progress. (Note: Bielecki's healthcare reference may have been related to Tusk's initiative to devolve more healthcare responsibilities to local governments, which in turn have been looking at partial privatization options.)

- Commercializing R&D and Innovation (REF B): Poland's education institutions lack the partnerships with the private sector that can turn academic research into commercial innovation. This hurts the institutions, which lose relevance and resources, as well as Poland's economy. Poland has a highly productive and educated work force; investments that bring U.S. expertise in commercializing innovation would find fertile ground in Poland. (Note: Bielecki was the latest in a line of GOP leaders to engage the Ambassador on this issue following Minister Boni and Deputy Prime Minister Pawlak.)

Comment: An Invitation to Expand the Relationship  
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18. (SBU) Bielecki has direct access to PM Tusk and is well connected throughout Poland and the EU. While he is sympathetic to bolstering the relationship with the United States, he is a pragmatic politician focused on Poland's continued economic growth. His emphases on higher education, health care reform, and commercializing R&D and innovation reflect a broader government interest in drawing the U.S. further into tangible areas of bilateral cooperation which directly benefit Poland.  
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